

california Dairy Review



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2002-03 DAIRY COUNCIL ASSESSMENT RATES ESTABLISHED

The Dairy Council of California has recommended and the Department of Food and Agriculture (CDFA) has approved new assessment rates for the Council's 2002-03 fiscal year (July 1, 2002, through June 30, 2003). The rates are presented below. The Dairy Council uses the funds generated from these assessments to carry out its mission of stimulating demand for milk by demonstrating the role of dairy products as essential elements in a healthy diet.

The Dairy Council Law mandates a two-tier assessment structure; an assessment for milk used in Class 1 milk products and a lower assessment for milk used in all other classes of milk products. A change in this assessment structure went into effect last year based upon legislative change to the Dairy Council Law and now specifies the Council's maximum allowable assessment rates for Class 1 milk shall not exceed two cents (\$.02) per hundredweight and the assessment for all other usages of milk shall not exceed eight mills (\$.008) per hundredweight. In addition, the relationship between the fees per hundredweight established for Class 1 milk versus milk for all other usages shall be at a ratio of 2.5 to 1.

The 2002-03 Dairy Council assessment rates are applicable to both milk producers and milk

handlers and are as follows:

- The Class 1 milk assessment rate is one and fifty hundredths cents (**\$0.015**) per hundredweight.
- The assessment rate for all other usages of milk is sixty hundredths cents (**\$0.006**) per hundredweight.

Both of the above rates are the same as last year's assessment.

As in the past, handlers will continue to be responsible for remitting both the handler and producer assessments to the Department. Handlers shall pay the handler assessments for milk utilized in the plant of the handler. The producer assessments shall be collected by the first handler of milk produced in California by deducting any such assessments from any payment due the producer of such milk.

Please call Steven Donaldson of the CDFA Marketing Branch at (916) 654-1245 if you have any questions about these assessment rates. If you have questions regarding the activities of the Dairy Council, please call Peggy Biltz, CEO of the Dairy Council, at (916) 263-3560.

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MAY MILK PRODUCTION

Milk production in California for May 2002 totaled 3.07 billion pounds, up 6.5 percent from May 2001. USDA's estimate for U.S. milk production for May 2002 in the 20 major dairy states is 13 billion pounds, up 3.3 percent from May 2001. Production per cow in the 20 major states averaged 1,681 pounds for May, which is 49 pounds above May 2001. ☀

MINIMUM CLASS PRICES

Statewide average hundredweight prices

| Class | June | July |
|-------|---------|---------|
| 1 | \$12.63 | \$12.65 |
| 2 | \$11.33 | \$11.33 |
| 3 | \$11.17 | \$11.17 |
| 4a | \$10.13 | ---- |
| 4b | \$ 9.59 | ---- |

FEDERAL ORDER AND CALIFORNIA MINIMUM CLASS 1 PRICES

Average Hundredweight Prices

| Regions | June | July |
|---------------------------|----------------|----------------|
| Phoenix, Arizona | \$13.38 | \$12.97 |
| Southern California | \$12.76 | \$12.79 |
| Portland, Oregon | \$12.93 | \$12.52 |
| Northern California | \$12.49 | \$12.51 |
| Boston (Northeast) | \$14.28 | \$13.87 |

QUOTA TRANSFER SUMMARY

For June 2002, 3 dairy producers transferred 591 pounds of solids-not-fat (SNF) quota. The quota sales averaged \$516 per pound of SNF (without cows), with an average ratio of 2.57. ☀

ALFALFA UPDATE: JUNE

Northern California: Throughout June, Premium and Supreme alfalfa demand was light to moderate with adequate supplies. Fair and Good alfalfa trading was steady to weak with supplies moderate to good. Retail and Stable hay were weak to \$10.00 lower as supplies of lower testing green hay were building up. Inter-mountain regions seeing more hay baled and stacked.

Southern California: Premium and Supreme alfalfa not well tested with the lower desert not producing this type of hay now. The upper desert is mostly making Retail and Stable hay. Retail and Stable hay trading was steady to weak as more low testing green summer hay becomes available. Southern desert area weather has turned very hot. San Joaquin dairies are looking at purchasing Sac Valley hay due to price levels. ☀

SUPREME HAY PRICES

Statewide average prices per ton

| Area | 5/31 | 6/7 | 6/14 | 6/21 |
|---------------------------|-----------|-----------|-----------|-----------|
| Petaluma | \$155 | ----- | \$150-155 | \$155 |
| North Valley ¹ | \$150-160 | \$150-160 | \$140-165 | \$150-160 |
| South Valley ² | \$155-156 | \$155-172 | \$150-172 | \$155-168 |
| Chino Valley | ----- | ----- | ----- | ----- |

¹ North Valley is Escalon, Modesto and Turlock areas.

² South Valley is Tulare, Visalia and Hanford areas.

ALFALFA HAY SALES/DELIVERY

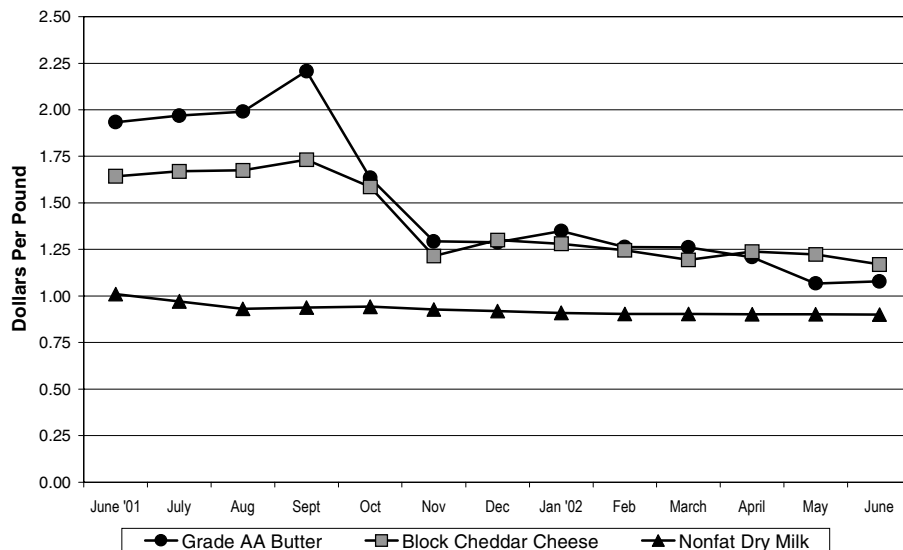
| | May 2002 | June 2002 |
|-----------------------------|----------|-----------|
| Tons Sold ¹ | 184,362 | 222,773 |
| Tons Delivered ² | 87,812 | 117,223 |

¹ For current or future delivery.

² Contracted or current sales.

Alfalfa hay sales, deliveries and Supreme quality prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA, (509) 765-3611, <http://www.ams.usda.gov/marketnews.htm>

Grade AA Butter, Cheddar Cheese, and Nonfat Dry Milk Prices Used in the Calculation of California Milk Prices



National Dairy Situation and Outlook

Milk Production and Cow Numbers

Monthly. Compared to 2001, overall milk production across the U.S. was up 3.2% in May, led by New Mexico's 15.8% growth in milk production (on 40,000 more cows and 35 more pounds per cow). California's production was up 5.7% (on 59,000 more cows and 35 more pounds per cow). Among other western states, Arizona was up 8.8%, Idaho up 6.2% and Washington up 3.1%. Three of the top ten states reported decreases: Minnesota -3.2%, Pennsylvania -0.1% and Wisconsin -0.3%.

Quarterly. For the first quarter of 2002 compared to the first quarter of 2001, U.S. milk cow numbers were down 0.4% to 9.1 million but production per cow was up 2.8% to 6.0 gallons/day; the net effect was a 2.9% increase in milk production to 42.5 billion pounds. USDA projects that for the second quarter of 2002 compared to the second quarter of 2001, U.S. milk cow numbers will be down 0.1%

and production per cow will be up 2.7% to 6.1 gallons/day; the net effect is a 2.6% increase in milk production.

Milk Prices

Comparing the first quarter of 2002 to the last quarter of 2001, U.S. average milk prices were down \$2.00/cwt. to \$12.50/cwt. USDA projects that for the second quarter of 2002, U.S. average milk prices will be down another \$0.50/cwt.; including a \$0.25/cwt. Class 4b price decrease and \$0.25/cwt. Class 4a price decrease.

Utility Cow Prices

Comparing the first quarter of 2002 to the last quarter of 2001, average U.S. utility cow prices were up \$3/cwt. to a national average of \$42/cwt. USDA projects that utility cow prices will be up another \$1/cwt. in the second quarter of 2002.

Information from the USDA-NASS publication "*Milk Production*" and the USDA-ERS publication: "*Livestock, Dairy, and Poultry Outlook*."

New Faces in the Dairy Marketing Branch Cost of Production Unit

Mat Schager

Mat grew up in Orland, California where he lived on his family's dairy farm. On his farm, they milked approximately 400 Brown Swiss and Holstein cows. Along with the dairy farm, they raised as much of their own feed as possible. Most of that feed was cut as silage and stored in Ag-Bags.

Mat is currently a senior at California State University, Chico, and will graduate in December of this year. He is studying Agriculture Business and will receive a minor in Business Administration. His college career at Chico has been a great one. Mat feels that Chico's Agriculture Program is one of the best in the State and the students and faculty are some of the nicest people that one could ever have the chance of meeting and working with on a daily basis.

Mat is currently interning with CDFA in the Cost of Production Unit. At CDFA, Mat has been working in the field collecting information from dairies throughout the State as well as working in the office to compile the cost studies from the collected information. Mat has learned many things during his time here at CDFA and has also appreciated the opportunity to meet and work with many outstanding people.

Richard Walker

Richard grew up in Berkeley but since there are no cows in Berkeley, he went to Cal Poly and majored in Dairy Husbandry and Farm Management. After graduation and serving in the army, Richard started his dairy career milking cows for Don Morelli in Petaluma.

A few years later Richard and his wife started their own dairy in Lincoln, on a leased dairy farm with 80 cows of mixed breeds. Eight years later they purchased a dairy in Corning and have been there for the past 21 years. Richard really appreciated life on the dairy and feels it was a great environment to raise their two children, Andy and Julie. Richard also had the opportunity to be involved with various dairy organizations and was on the board of Western United Dairymen. Being involved in the industry he was able to meet and become friends with dairyman from all over California and the western states.

Richard says he is excited about his new career with CDFA, especially working with many of his friends and meeting new ones.

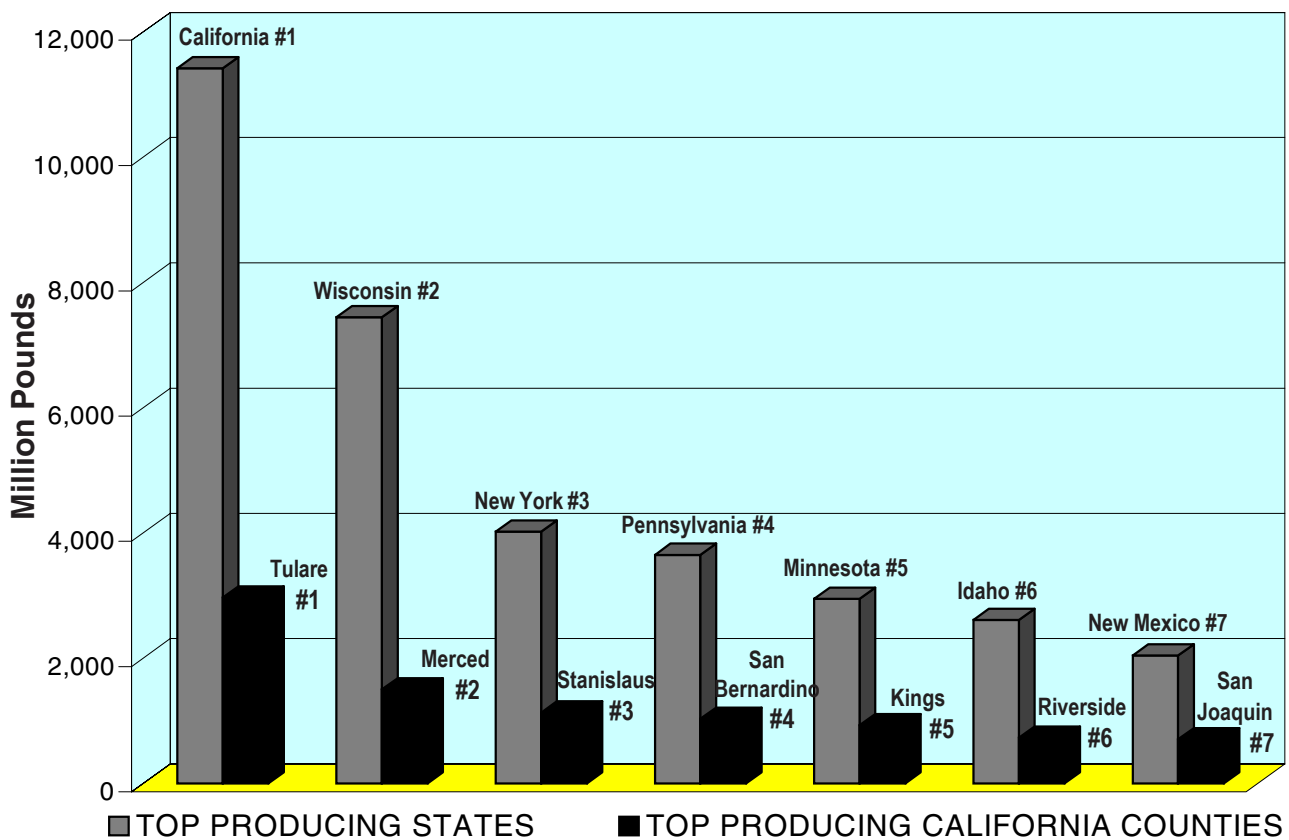


Farm Bill Update

The 2002 Farm Bill, technically the Farm Security and Rural Investment Act of 2002 (Act), was signed into law and will run from December 2001 through September 2005. The USDA Farm Service Agencies across the United States will be facilitating the payment program aspect of the Act. According to Farm Service Agency sources, details of the Act are currently being finalized and definite deadline dates for signing up to participate and details of how the payment program will work for producers should be available soon. Details of the sign-up deadlines and payment options will be published in this newsletter as they become available. In addition, the Farm Service Agencies hope to communicate details of the program with each producer by mail.

Currently, information on the implementation of the Act can be found on the internet at www.fsa.usda.gov. Questions can be directed to the Farm Services Agency office in Davis, Larry Plumb, at 530-792-5520, or your local county Farm Services Agency office. The Dairy Marketing Branch will be in constant contact with Larry Plumb and will continue to print in this newsletter the latest information as it becomes available.

**January-April, 2002 Comparison:
Top Milk Producing California Counties
Top Milk Producing States**



For the first four months of 2002, California's top seven milk producing counties would each account for a large percentage of milk production in the top seven producing states. As an example, for the first four months of 2002, Tulare County milk production is higher than the production reported for the states of Minnesota, Idaho, and New Mexico. Compared to 2001 milk production rankings, Riverside County moved into the #6 rank, moving San Joaquin County to the #7 rank, and in state ranking, New Mexico moved into the #7 rank, moving Michigan to #8. New Mexico's reported milk production for 2002 has shown an average 16% increase compared to 2001. For the first four months of 2002, these seven California counties accounted for 16% of the nation's total milk production and 80% of California's total milk production.



Suprema Specialties Default Update

The Department filed a formal accusation against California Milk Market, Inc. and Central Valley Dairymen, Inc. The accusation charged that 1) the California Milk Market failed to pay producers for bulk milk shipments during January and February, and 2) George Vieira has a financial interest in California Milk Market and is employed by and effectively manages Central Valley Dairymen while serving as Chief Operations Officer of Suprema Specialties West, Inc. The Department sought the revocation of the milk handler's license for California Milk Market and Central Valley Dairymen and that all milk shipments through California Milk Market specified in the accusation as well as all future shipments through the California Milk Market and all shipments by Central Valley Dairymen during the January and February period is determined to be ineligible for Trust Fund coverage. ☀

Getting to Know Us . . .

In response to reader request, the Dairy Review will highlight a Branch employee each month - in an effort to help you connect faces with voices, and help you get to know us better!

Jackie Juarez



Jackie is a native of Sacramento and attended Hiram Johnson High School. She is currently pursuing studies at Sacramento City College. Jackie's early vocational life was working in the shipping industry as a Traffic Manager coordinating interstate shipments. Her career in State service began in 1995 with the Department of Motor Vehicles and she started working at the Department of Food and Agriculture in 1997. Currently she works as a Management Services Technician in the Producer Payment Unit of the Dairy Marketing Branch. One of the most important aspects of her position in the Producer Payment Unit is verifying that the dairy producers are paid timely and in full. The unit also handles licensing of dairy processors and administers the provisions in the Food and Agricultural Code for the Milk Producers Security Trust Fund and contractual agreements for coverage under that fund.

Jackie really enjoys working with people in the industry and feels that the functions of her job and the work she does make a difference. Jackie has two children, Jessica age 9 and Jasmine age 6, and she loves to spend time with them fishing or swimming in the pool.

Milk Production Cost Index for California

| Month | Del Norte / Humboldt | | North Bay | | North Valley | | South Valley | | Southern California | | Statewide Weighted Average | |
|----------------------------------|-------------------------|-------|-----------|-------|--------------|-------|-----------------|-------|------------------------|-------|-------------------------------|---------|
| | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 |
| <i>Dollars per Hundredweight</i> | | | | | | | | | | | | |
| January | 14.68 | 15.39 | 13.66 | 14.17 | 12.60 | 12.97 | 12.09 | 12.90 | 13.04 | 13.10 | 12.5165 | 13.0110 |
| February | 14.68 | 15.39 | 13.66 | 14.17 | 12.60 | 12.97 | 12.09 | 12.90 | 13.04 | 13.10 | 12.5165 | 13.0110 |
| March | 12.66 | 13.18 | 13.10 | 14.11 | 12.39 | 12.50 | 12.00 | 12.49 | 13.20 | 12.98 | 12.3930 | 12.6245 |
| April | 12.66 | 13.18 | 13.10 | 14.11 | 12.39 | 12.50 | 12.00 | 12.49 | 13.20 | 12.98 | 12.3930 | 12.6245 |
| May | 11.43 | | 13.15 | | 12.66 | | 12.39 | | 13.57 | | 12.7255 | |
| June | 11.43 | | 13.15 | | 12.66 | | 12.39 | | 13.57 | | 12.7255 | |
| July | 11.75 | | 13.50 | | 12.75 | | 12.95 | | 13.91 | | 13.0678 | |
| August | 11.75 | | 13.50 | | 12.75 | | 12.95 | | 13.91 | | 13.0678 | |
| September | 12.89 | | 13.57 | | 13.04 | | 12.99 | | 14.19 | | 13.2516 | |
| October | 12.89 | | 13.57 | | 13.04 | | 12.99 | | 14.19 | | 13.2516 | |
| November | 14.23 | | 14.09 | | 12.86 | | 12.69 | | 13.45 | | 12.9463 | |
| December | 14.23 | | 14.09 | | 12.86 | | 12.69 | | 13.45 | | 12.9463 | |



HUNDREDWEIGHT POOL PRICES

| Month | Quota | Overbase |
|-------------|---------|----------|
| April '01 | \$14.65 | \$12.95 |
| May | \$15.70 | \$14.00 |
| June | \$16.46 | \$14.76 |
| July | \$16.35 | \$14.65 |
| August | \$16.70 | \$15.00 |
| September | \$16.95 | \$15.25 |
| October | \$14.71 | \$13.01 |
| November | \$13.67 | \$11.97 |
| December | \$12.93 | \$11.23 |
| January '02 | \$13.18 | \$11.48 |
| February | \$12.53 | \$10.83 |
| March | \$12.37 | \$10.67 |
| April | \$12.41 | \$10.71 |
| May | \$12.06 | \$10.36 |

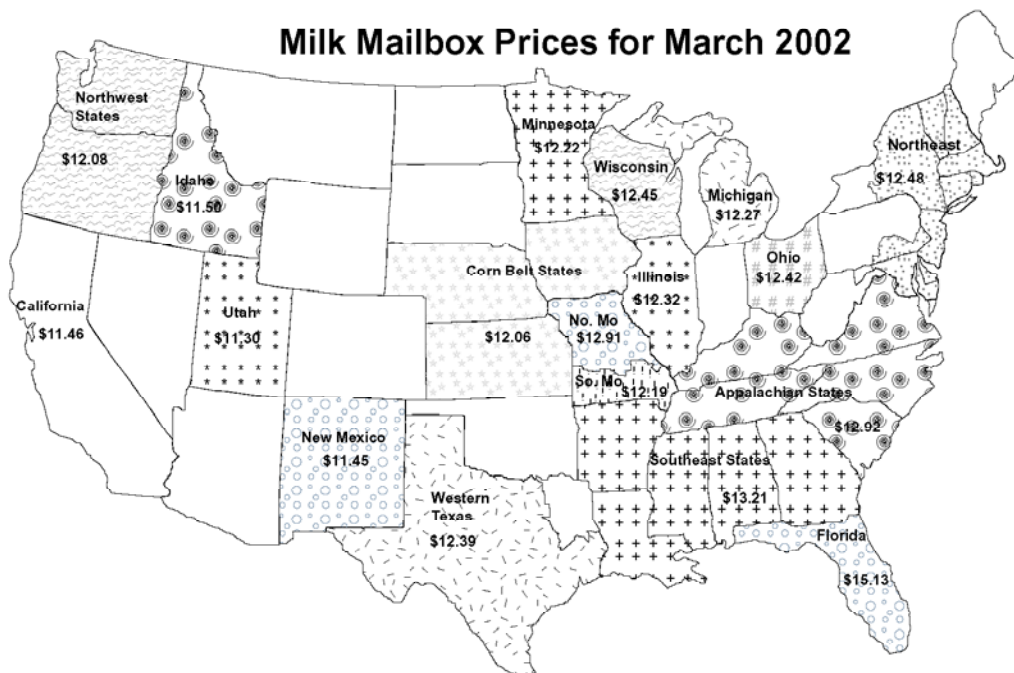
Milk Mailbox Prices in Dollars per Hundredweight

| | October | Nov. | Dec. | Jan. '02 | Feb. | March | April |
|-------------------------|----------|---------|---------|----------|---------|---------|-------|
| California ¹ | \$ 14.06 | \$12.96 | \$12.33 | \$12.48 | \$11.73 | \$11.46 | |
| USDA ² | \$ 15.52 | \$14.25 | \$13.21 | \$13.34 | \$12.91 | \$12.39 | |

¹ California mailbox price calculated by GDFA.

² All federal milk market order weighted average, as calculated by USDA.

Milk Mailbox Prices for March 2002



Price Information Lines: (800) 503-3490 within California; (916) 442-MILK outside California
 Homepage Address: www.cdffa.ca.gov/dairy; e-mail Address: dairy@cdffa.ca.gov
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The California Department of Food and Agriculture Dairy Marketing Branch publishes the California Dairy Review monthly. To subscribe, call (916) 654-1456. Please direct any comments, address changes, or suggestions to Karen Dapper at (916) 654-1456 or send an email to dairy@cdffa.ca.gov

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